

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 20 – SB 23

April 4, 2017

SUMMARY OF ORIGINAL BILL: Increases the property value threshold for determining the extent of any property tax relief payments to low-income elderly homeowners and low-income disabled homeowners from \$23,500 of the full market value of the property to \$25,000 of the full market value of the property.

Increases the property value threshold for determining the extent of any property tax relief payments to disabled veteran and surviving spouse homeowners from \$100,000 of the full market value of the property to \$175,000 of the full market value of the property.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$5,992,200

SUMMARY OF AMENDMENT (006630): Deletes all language after the enacting clause. Increases the property value threshold for determining the extent of any property tax relief payments to low-income elderly homeowners and low-income disabled homeowners from \$23,500 of the full market value of the property to \$27,000 of the full market value of the property.

Increases the property value threshold for determining the extent of any property tax relief payments to disabled veteran and surviving spouse homeowners from \$100,000 of the full market value of the property to \$135,100 of the full market value of the property.

Requires the property value limits of property tax relief for low-income elderly homeowners, low-income disabled homeowners, and disabled veteran and surviving spouse homeowners to increase proportionately with any change in inflation as measured by the United States Bureau of Labor Statistics' Consumer Price Index for All Urban Customers (CPI-U) in an amount no less than zero and no greater than three percent and to be rounded to the nearest \$100 for tax year 2018 and subsequent years.

Requires the Comptroller of the Treasury (Comptroller) to notify taxpayers of any change in dollar amounts pursuant to this legislation and to post the information on the Comptroller's website.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Expenditures - \$5,502,100/FY17-18
\$6,423,500/FY18-19**

Other Fiscal Impact - In FY19-20 and subsequent years, the increase in state expenditures from the General Fund will increase by a percentage as determined by the CPI-U.

Assumptions relative to Eligible Taxpayers and Public Chapter 481 of 2015:

- Public Chapter 481 of 2015 decreased, from \$175,000 to \$100,000, the property value threshold for property tax relief payments to disabled veterans and surviving spouses; the proposed legislation will increase the threshold to \$135,100.
- Public Chapter 481 of 2015 decreased, from \$25,000 to \$23,000, the property value threshold for property tax relief payments to low income elderly taxpayers and low income disabled taxpayers. Public Chapter 1065 of 2016 increased the property value threshold to \$23,500. The proposed legislation will increase the threshold to \$27,000.
- This act shall take effect upon becoming a law; therefore, it is assumed the first tax year that will be impacted is 2017.
- Given that property tax notices will be sent to taxpayers in late 2017, and paid by February 2018, the first fiscal year impact will be FY17-18.
- Pursuant to the provisions of Tenn. Code Ann. §§ 67-5-702 to 67-5-704, there shall be paid from the state's General Fund to certain low income elderly taxpayers, low income disabled taxpayers, and disabled veterans or their eligible surviving spouses the amount necessary to pay or reimburse such taxpayer for all or part of the local property taxes paid for a given tax year on a property that the eligible homeowner owned and used as his or her residence.
- Any change in property tax revenue received by the applicable local government entities is estimated to be not significant.

Assumptions relative to Low Income Elderly and Disabled Homeowner Property Tax Relief:

- Based on information provided by the Comptroller, the amount of actual property tax relief for low income elderly and low income disabled homeowners at a \$27,000 assessed property value limit would have been \$20,322,123 in 2014.
- Based on actual 2014 property tax relief data provided by the Comptroller, the calculated amount of property relief at the \$23,500 assessed property value limit would have been \$17,811,784 in 2014.
- Based on the growth rate in property tax relief payments over the last three years to low income elderly taxpayers and low income disabled taxpayers, the impact to this

population has been projected forward to FY17-18 using an annual growth rate of two percent in order to determine the estimated increase in tax relief payments.

- Based on information provided by the Comptroller, projecting the estimated property tax relief from 2014 at each property valuation for this population forward to FY17-18 will result in \$21,566,000 of property tax relief at the \$27,000 limit and \$18,902,008 at the \$23,500 limit.
- The increase in state expenditures for low income elderly and disabled homeowner's property tax relief from the General Fund is estimated to be \$2,663,992 (\$21,566,000 - \$18,902,008) in FY17-18.
- This legislation requires property tax relief to be adjusted beginning in FY18-19 in an amount proportionate to the CPI-U, rounded to the nearest \$100.
- This analysis assumes a CPI-U of 1.5 percent in FY18-19 and rounds the increase to the nearest \$100.
- The property value threshold for property tax relief payments to disabled veterans and surviving spouses is estimated to be \$27,405 (\$27,000 x 101.5%), rounded down to \$27,400 in FY18-19.
- Based on information provided by the Comptroller, projecting the estimated property tax relief from 2014 at each property valuation for this population forward to FY18-19 will result in \$22,293,229 of property tax relief at the \$27,400 limit and \$19,280,048 at the \$23,500 limit.
- The increase in state expenditures for disabled veteran and surviving spouse homeowner's property tax relief from the General Fund is estimated to be \$3,013,181 (\$22,293,229 - \$19,280,048) in FY18-19 and is estimated to grow by an amount proportionate to the CPI-U each fiscal year.

Assumptions relative to Value Limits on Disabled Veteran Homeowner Property Tax Relief:

- Public Chapter 481 was enacted in 2015; therefore, the last year with data available at a threshold exceeding \$100,000 is tax year 2014.
- Based on information provided by the Comptroller, projecting the estimated property tax relief from 2014 at each property valuation for this population forward to FY17-18 will result in \$13,244,909 of property tax relief at the \$100,000 limit and \$16,083,000 at the \$135,100 limit.
- The increase in state expenditures for disabled veteran and surviving spouse homeowner's property tax relief from the General Fund is estimated to be \$2,838,091 (\$16,083,000 - \$13,244,909) in FY17-18.
- This legislation requires property tax relief to be adjusted beginning in FY18-19 in an amount proportionate to the CPI-U, rounded to the nearest \$100.
- This analysis assumes a CPI-U of 1.5 percent in FY18-19 and rounds the increase to the nearest \$100.
- The property value threshold for property tax relief payments to disabled veterans and surviving spouses is estimated to be \$137,127 (\$135,100 x 101.5%), rounded down to \$137,100 in FY18-19.

- Based on information provided by the Comptroller, projecting the estimated property tax relief from 2014 at each property valuation for this population forward to FY18-19 will result in \$15,231,645 of property tax relief at the \$100,000 limit and \$18,642,000 at the \$137,100 limit.
- The increase in state expenditures for disabled veteran and surviving spouse homeowner's property tax relief from the General Fund is estimated to be \$3,410,355 (\$18,642,000 - \$15,231,645) in FY18-19 and is estimated to grow by an amount proportionate to the CPI-U each fiscal year.

Assumption relative to Comptroller Notification Requirements:

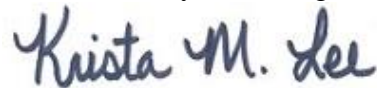
- The Comptroller will notify taxpayers of any change in dollar amounts pursuant to this legislation and post relevant information on the Comptroller's website within existing resources. Any increase in state expenditures is estimated to be not significant.

Assumption relative to the total impact of the bill as amended:

- The total increase in state expenditures from the General Fund resulting from the provisions of the bill as amended is estimated to be: \$5,502,083 in FY17-18 (\$2,663,992 + \$2,838,091); \$6,423,536 in FY18-19 (\$3,013,181 + \$3,410,355); and is estimated to grow by an amount proportionate to the CPI-U each fiscal year thereafter.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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